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E.O. 12958: N/A

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 12/27/07

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, December 26

NIKKEI (Page 2) (Full)
December 27, 2007

09:41

Met Vice Transport Minister Minehisa at the Kantei. Followed by
Defense Minister Ishiba. Later, met Japan International Cooperation
Agency President Sadako Ogata. Then met Hiroshi Yonekura, chairman
of the Japan-Hungary Cooperation Forum.

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11:00

Met Urawa Reds player Keita Suzuki, with former Prime Minister Mori.
Mori stayed behind. Joined by Chief Cabinet Secretary Machimura.
Followed by Nippon Keidanren Honorable Chairman Okuda.

12:27

Attended a meeting of the Nippon Keidanren Committee at the
Keidanren Hall in Otemachi.

13:24

Handed a recommendation letter to the LDP-endorsed candidate for the
Kyoto mayoral election at party headquarters. Posed for video
recording for the party's website.

15:28

Met at the Kantei with Defense Policy Bureau Director General
Kanazawa, Defense Intelligence Headquarters Chief Mukunoki, and
Cabinet Intelligence Director Miki. Miki stayed behind. Later, met
Foreign Ministry Public Diplomacy Department Head Yamamoto. Followed
by Council on Regulatory Reform Chairman Kusakari and others.

17:06

Met Cabinet Office Special Advisor Kurokawa. Attended a meeting of
the Council on Economic and Fiscal Policy. Later met Environment
Minister Kamoshita and Vice Environment Minister Tamura.

18:32

Met Upper House Chairman Otsuji. Followed by Social Insurance Agency
Director General Banno and Assistant Deputy Chief Cabinet Secretary
Saka. Saka stayed behind.

20:18

Returned to his private residence in Nozawa.

4) Prime minister to leave for China today

YOMIURI (Page 2) (Full)
December 27, 2007

Prime Minister Fukuda will leave Japan today for a four-day visit to
China to meet President Hu Jintao, Premier Wen Jiabao, and other
senior Chinese government officers. In the meetings, both sides are
expected to agree on measures to promote cooperation in the
environment and energy-conservation area, specifically, those to
establish a Japan-China environment information plaza and
energy-saving and environment counseling centers in China, as well
as exchanging a total of 10,000 trainees in this area, according to
government sources.

In China, air and water contamination is becoming serious as its
economy grows rapidly. To deal with these problems, Japan has
decided to set up an environment information plaza in Beijing and
energy-saving and environment counseling centers in 10 cities in

China as facilities for Japan to provide China with information based on its experience of success and failure in the process of its economic growth in the postwar period.

Chinese people will have free access to the plaza and centers. Japan plans to use these facilities as places to show and have Chinese learn Japan's pollution problems and ways to contain them, as well as its state-of-the-art energy-conservation technology.

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Meanwhile, Prime Minister Fukuda intends to stress in the summit slated for the 28th the need for Japan and China to become creative partners in order to "build the future of Asia and the world."

5) Japan to further promote "mutually beneficial relationship based on common strategic interests" with Prime Minister Fukuda set to travel to China today and hold first meeting with President Hu

MAINICHI (Page 2) (Full)
December 27, 2007

Takuji Nakata

Prime Minister Yasuo Fukuda will make his first trip to China today after assuming the post. Tomorrow, Fukuda is to meet separately with President Hu Jintao, Premier Wen Jiabao, and the National People's Congress' Standing Committee Chairman Wu Bangguo. In his first meeting with Hu, Fukuda is expected to confirm Japan and China will further promote "a mutually beneficial relationship based on common strategic interests," and both leaders are expected to reach agreement on a plan for Hu to visit Japan in next April. Fukuda is to return home on Dec. 20.

In a session with Premier Wen, Fukuda and Wen will sign an agreement that mentions cooperation in the environmental area and expansion of exchanges of youths, and the two will hold a joint press conference, an unusual event for the leaders of Japan and China. Regarding the pending issue of jointly developing gas fields in the East China Sea, no major progress is expected as both sides have yet to bridge the gaps in specific measures for the joint development.

China has prepared a red-carpet treatment toward Fukuda, a pro-China prime minister, by arranging for example a dinner party to be joined by top leaders - an event not held since Prime Minister Yasuhiro Nakasone visited China in the early 1980s.

Fukuda is to deliver a speech at Beijing University tomorrow. On Dec. 29, Fukuda will visit Tianjin's Binhai Zone, a priority area for economic development for the Chinese government. On Dec. 30, Fukuda will visit the Temple of Confucius at Qufu, Shandong Province. Fukuda wants to demonstrate "closeness" with China not only at the government level but also in personal relations with the Chinese people.

6) China asks Japan to jointly develop gas fields in sea areas around median line

ASAHI (Page 1) (Full)
December 27, 2007

Kenji Minemura, Beijing, Kazuto Tsukamoto

China has asked Japan to jointly develop new gas fields in the sea areas extending into the Japan-China median line, which Beijing until recently did not accept, sources connected with the Japanese and Chinese governments revealed. Final coordination is underway. The two countries aim to reach a basic agreement on joint development at the upcoming Japan-China summit between Prime Minister Fukuda, President Hu Jintao, and Premier Wen Jiabao planned during Fukuda's China visit that will start today. Both sides want to have tangible results before Hu's visit to Japan planned for next spring.

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According to a source connected with the two governments, it was last week when China conveyed its willingness to jointly develop new gas fields to Japan. Vice Foreign Minister Wang Yi secretly visited Japan and met with Administrative Vice Foreign Minister Shotaro Yachi. He told him about China's new proposal and the two discussed it.

Gas fields confirmed so far near the median line include Chunxiao (Shirakaba in Japanese), Duanqiao (Kusunoki in Japanese) and Tianqaitian (Kashi in Japanese). Japan and China have yet to bridge the gaps over how to handle the Chunxiao gas field China is independently developing. Whether both sides can reach a basic agreement on the joint development at the Japan-China summit set for tomorrow is still fluid.

In the past discussions, the Chinese side did not accept the median line itself and instead insisted that Okinawa Trough located at the end of the continental shelf stretching from the Continent is the border between China and Japan. China has asserted that its independent development of gas fields near the median line is justifiable. In the past 11 rounds of bureau-director-level talks between the two countries, "discussions in themselves have been stalled," the informed source said.

7) Prime Minister Fukuda forward-looking about setting numerical target for reduction of greenhouse gases, and will week a change in course at the G8 Summit (Nikkei)

NIKKEI (Page 2) (Full)
December 27, 2007

Prime Minister Yasuo Fukuda meeting with the press corps yesterday took a forward looking stance on setting a new numerical target when creating a new international framework for the reduction of greenhouse gases in the post Kyoto-Protocol period. He said: "The question is what kind of target advanced countries will have. I think some kind of target is necessary."

At the COP13 United Nations Climate Change Meeting this month, Japan was opposed to setting a numerical target, stating, "We should give priority to having the United States and other countries join the framework." In the prime minister's statement yesterday seems to be opening for changing course, looking toward the Lake Toya G8 Summit next July, which will have global warming as a main theme.

Regarding the trading of emissions rights, the prime minister stated: "I hear that such are being seen differently by every country, and (emissions rights trading) has become a kind of money game." He indicated that a set of standards needed to be created.

8) Government to strengthen ties with five countries around the Mekong

MAINICHI (Page 5) (Full)
December 27, 2008

The government has decided to hold a foreign ministerial meeting for the first time with five countries surrounding the Mekong area in order to discuss economic cooperation and development. It plans to hold the meeting in Tokyo on Jan. 16. Foreign Minister Masahiko Koumura is also expected to hold sessions with individual ministers.

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The Japanese and Laotian foreign ministers will sign an investment agreement. The planned foreign ministerial is also aimed to support economic integration of the Association of Southeast Asian Nations (ASEAN) by narrowing regional gaps through the promotion of direct investment.

9) Yabunaka to be installed as vice foreign minister with Yachi firmly declining to stay on

MAINICHI (Page 2) (Full)
December 27, 2007

The government yesterday decided to approve of the retirement of incumbent Administrative Vice Foreign Minister Shotaro Yachi (63), who is to mark his third year on Jan. 4 of next year since assuming the post. It will appoint Deputy Foreign Minister Mitoji Yabunaka (59) as his replacement. Kenichiro Sasae, director-general of the Asian and Oceanian Affairs Bureau, is expected to be installed as Yabunaka's successor, and Minister Akitaka Saiki at the Japanese Embassy in the United States will fill Sasae's shoes. This lineup will be approved at a cabinet meeting possibly in mid-January after the current extraordinary session of the Diet closes. Yachi joined the Ministry of Foreign Affairs (MOFA) in 1969. After serving as director-general of the Foreign Policy Bureau and then deputy chief cabinet secretary at the Cabinet Secretariat, he assumed the post of administrative vice foreign minister. Yachi is known as a hard-liner against North Korea and played a leading part in implementing such policy lines as "value-based diplomacy" advocated by then Prime Minister Shinzo Abe and the "arc of freedom and prosperity" promoted by then Foreign Minister Taro Aso.

Some in the government insisted that Yachi should stay on until the Group of Eight summit meeting at Lake Toya, Hokkaido, next July, but Yachi firmly declined to stay on, citing the case of Takemasa Moriya, who was criticized for his long service of four years as administrative vice defense minister. After retirement, Yachi will join Waseda University's Institute of Japan-US studies.

Yabunaka joined MOFA in 1969 and passed the senior-post examination. He served in such posts as director of the Second North American Division and director of the General Affairs Division of the Minister's Secretariat. In December 2002, when Prime Minister Yasuo Fukuda served as chief cabinet secretary, Yabunaka assumed the post of director-general of the Asian and Oceanian Affairs Bureau. In Japan-North Korea working-level talks in November 2004, Yabunaka led the Japanese delegation and took home the remains that the North Korean side said were those of abductee Megumi Yokota.

10) MSDF mistakenly discarded 105 logbooks

YOMIURI (Page 4) (Full)
December 27, 2007

The Maritime Self-Defense Force mistakenly discarded logbooks from the Towada, a supply ship, within their retention period. In response to this issue, the Defense Ministry looked into its archives and announced findings from its in-house investigation yesterday. As a result, the Defense Ministry discovered that it may have mistakenly discarded 105 logbooks, including the already revealed disposal of three logbooks. This shows the Defense Ministry's poor management of documents. The Defense Ministry will punish those involved early next year.

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The Defense Ministry checked its filed archives of about 2,300,000 official documents. As a result, the ministry found that its officials had mistakenly discarded a total of 9 document files, including MSDF logbooks and duty records. The ministry could not discover a total of 96 archives, including document files and logbooks, and it deems that those archives could have been mistakenly discarded.

According to the MSDF's regulations, MSDF ships must keep their logbooks for one year. After that one-year period, MSDF district headquarters are to keep them for three years. There are now 261 MSDF vessels in commission, including 255 ships that have been in commission for over one year. However, all of those 255 MSDF ships kept their logbooks against the regulations.

The Defense Ministry plans to create a document filing manual for its archives. In addition, the ministry will also set up a third-party checking system and simplify its document management regulations.

11) Plutonium output at 30kg: N. Korea

TOKYO SHIMBUN (Top play) (Abridged)
December 27, 2007

BEIJING-North Korea's Vice Foreign Minister Kim Gye Gwan, chief delegate to the six-party talks over North Korea's nuclear issues, met with U.S. Assistant Secretary of State Hill, chief U.S. negotiator, when Hill visited North Korea early this month. In that meeting, Kim told Hill that North Korea's output of plutonium, from which nuclear weapons can be made, was about 30 kilograms. This fact was revealed yesterday by several sources familiar with U.S.-North Korea relations. Kim seems to have specified that North Korea produced plutonium for multiple purposes, including the making of nuclear weapons.

North Korea agreed at the six-party talks to declare its nuclear programs, and this is the first time that North Korea's declaration has been revealed in concrete terms. However, North Korea's declaration was different from a U.S. estimate, according to the sources. North Korea is suspected of having enriched uranium. The six-party talks reached a deal, in which North Korea agreed to (disable its nuclear facilities and) declare all its nuclear programs. However, the talks will likely face rough going.

Hill visited North Korea on a Dec. 3-5 schedule. During his stay in North Korea, Hill met with Kim and other North Korean officials, including Foreign Minister Pak Ui Chun. According to the sources, the North Koreans revealed that North Korea's output of plutonium was about 30 kilograms. In addition, they are also said to have specified how much plutonium they used for their underground nuclear test in October last year and that they used it to make nuclear weapons.

According to the sources, the United States estimates North Korea's total output of plutonium to be over 50 kilograms. It seems that the North Korean declaration was way below the U.S. estimate.

12) Iwakuni mayor tenders resignation, expressing willingness to run in mayoral election possibly early next year

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YOMIURI (Page 2) (Excerpts)
December 27, 2007

Iwakuni Mayor Katsusuke Ihara, an opponent of the government's plan to relocate U.S. jet fighters to Iwakuni Air Base in the city, Yamaguchi Prefecture, tendered his resignation (dated Dec. 28) following a clash with the city assembly over the central government's move to cut 3.5 billion yen in subsidies to the city (linked to relocation of U.S. jets from Atsugi to Iwakuni base). The city assembly accepted the resignation. In a press conference last night, Ihara expressed his willingness to run in the mayoral election that is expected to take place early next year, saying: "I would like to seek the people's judgment."

Based on the Public Election Law, the city is expected to hold a mayoral election in late January or in early February to seek the people's opinion on the propriety of the relocation plan. Those in favor of the plan are accelerating the candidate-selection process.

13) Japan's share in world nominal GDP falls below 10 PERCENT in 2006: Delay in reforms, cheap yen blamed for poor showing

NIKKEI (Top Play) (Excerpts)
December 27, 2007

The Nikkei has learned that Japan's global share of nominal GDP in 2006 stood at 9.1 PERCENT, falling below the 20 PERCENT level for the first time in 24 years. Its share has dropped 50 PERCENT, compared with the peak year of 1994. Japan also slipped down in terms of per-capita nominal GDP. Behind the drop is the sluggish nominal growth of the economy stemming from the delay in the effort to emerge from deflation. Since newly emerging countries that are achieving high growth like China are mounting a charge, the Japanese economy is bound to further lose its global presence, if reform

efforts continue to bog down.

The Cabinet Office revealed the statistics in the national economic accounting released yesterday. Japan's nominal GDP in 2006 was 4.3755 trillion dollars, down 4 PERCENT from the preceding year, marking a second consecutive year of decline.

Nominal GDP increased 1.4 PERCENT from the previous year in yen terms. However, it dropped in dollar terms. The major reason for that is the yen kept weakening on global exchange markets. The average exchange rate of the yen in 2006 was 116 yen against the dollar, marking the lowest level since 2002.

The Cabinet Office explained that another factor is the sluggish nominal growth. The real growth rate in 2006 marked a comparatively high growth of 2.4 PERCENT. However, with nominal growth rates continuing to top real growth rates on a yearly basis since 1999, Japan's nominal GDP made a poor showing in international comparison.

14) Questionnaire of 100 heads of companies: Respondents who replied, "The economy is expanding" dropped to 64 PERCENT ; 60 PERCENT confident of their companies' performance; Concerned about US economy, drop in housing starts

NIKKEI (Page 1 (Excerpts)
December 2, 2007

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In a questionnaire of 100 corporate chief executives tallied by the Nikkei yesterday, 64 PERCENT of respondents replied, "The economy is expanding," marking a 15-point fall from the previous survey. A cautious view is widespread due to such issues as non-performing Subprime loans for individuals with low creditworthiness, high resources prices and a drop in housing starts. However, as far as their companies' performance in fiscal 2008 is concerned, 60 PERCENT projected a better showing than the estimated performance in fiscal 2007. Corporate operators remain confident.

The questionnaire was carried out from early December through mid-December, targeting presidents (including chairmen) of leading companies. Replies were sent by 134 companies.

15) DPJ strategy of having bills adopted by Upper House first fails

MAINICHI (Page 5) (Excerpts)
December 27, 2007

The strategy of the opposition Democratic Party of Japan (DPJ or Minshuto) of having bills first adopted by the House of Councillors before they are deliberated in the House of Representatives has fizzled. Although the DPJ, which holds a majority in the Upper House, has submitted 13 bills to the upper chamber as of Dec. 26, only one bill designed to support the livelihoods of disaster victims has been enacted. It does not appear likely that bills on pensions and agriculture policy that the DPJ had incorporated into its manifesto (campaign pledges) for the Upper House election will obtain Diet approval in the current session that ends on Jan. 15.

The DPJ has assumed a strategy of adopting the pension and agriculture bills first in the Upper House before sending them to the Lower House. It predicted that it would be difficult for the ruling parties to reject and scrap them since public opinion was reflected in them.

However, as soon as the DPJ's bill to ban the use of pension premiums for other purposes was sent to the Lower House, the ruling coalition submitted its own bill to use pension premiums only for the construction of facilities, aiming at killing both bills at the same time. The two bills have been left unattended after the Lower House deliberated on them three times or nine hours in November.

The DPJ's bill designed to compensate to individual farmers the differences in prices between sales prices and production costs regardless of the scale of farmers was approved by the Upper House

on Nov. 9. The ruling camp finally began deliberations on the bill on Dec. 5, but only seven hours were spent for deliberations by Dec. 12. Meantime, the government and ruling coalition have incorporated subsidies also to small-sized farmers in the state budget for fiscal 2008, aiming at including the DPJ's idea in the budget. The subsidies had been provided to farmers whose farms fall under a certain size level.

16) DPJ space bill calls for creating "space agency," causing backlash as going against administrative reform policy

YOMIURI (Page 2) (Full)
December 27, 2007

The science and technology policy working team of the Democratic

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Party of Japan (DPJ), chaired by House of Representatives member Yoshihiko Noda, presented in a joint meeting of the Cabinet Office and the Education and Science Ministry yesterday the outline of a bill on space it plans to submit in the next ordinary Diet session. In the bill, the largest opposition party approves the use of space for defense purposes in line with a bill jointly submitted by the Liberal Democratic Party and the New Komeito to the Diet in June.

The DPJ bill specifies that space should be used based on the nation's pacifist Constitution, which advocates a defense-only policy, and the Space Treaty, which stipulates that weapons of mass destruction should not be deployed in space. The ruling parties' bill also makes it clear that space should be used in line with treaties and other international agreements on space development as well as based on the nation's pacifist Constitution. The government previously took the interpretation that the use of space by Japan should be restricted only to peaceful purposes. The DPJ bill includes many other similar parts to those of the ruling camp's bill, such as the advocate of industrial promotion and the formation of a space-use plan.

A major different part between the two bills is on a system to promote space development. The DPJ bill proposes establishing a "space agency" by merging a number of relevant organizations, such as the Education and Science Ministry, the Ministry of Economy, Trade and Industry, and the Japan Aerospace Exploration Agency. But the bill of the ruling camp does not step into organizational reform, just calling for establishing a strategic space development taskforce under the prime minister.

A DPJ lawmaker who was involved in drafting the bill said: "It will be difficult to adjust interests under a strategic taskforce composed of representatives from relevant government agencies." In the joint meeting yesterday, however, some voiced opposition to the proposed creation of a space agency, one member remarking: "A measure to make members of independent administrative corporations national public servants goes against the administrative reform line."

DONOVAN